

Message Text

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PERSONAL FOR THE SECRETARY FROM THE AMBASSADOR

E.O. 11652: XGDS-1

TAGS: PFOR, MASS, IR

SUBK: POSSIBLE CHANGE IN IRANIAN FOREIGN POLICY

REF: TEHRAN 0279

1. IN AUDIENCE WITH ANOTHER AMERICAN VISITOR THAT FOLLOWED ON SUNDAY ONE REPORTED REFTEL, SHAH COVERED MUCH THE SAME GROUND IN SIMILAR MOOD. HE WAS NOT THREATENING, BUT WAS COMPLETELY SERIOUS. RATHER THAN SUMMARIZE THIS LAST CONVERSATION, PREFER TO EXTRACT CERTAIN THEMES WHICH HAVE REAPPEARED DURING CONVERSATIONS WITH THE SHAH AND GENERAL TOUFANIAN DURING PAST FEW WEEKS. PERSON WITH WHOM SHAH SPOKE IS MAN OF UNQUESTIONED RELIABILITY WHO PREFERS NOT TO HAVE HIS NAME AS PART OF THE OFFICIAL RECORD.

2. FIRST SHAH DOES NOT BELIEVE THAT INTERNATIONAL OIL COMPANIES ARE TREATING HIM FAIRLY DURING PERIOD WHEN IRAN'S PETROLEUM EXPORTS ARE SHARPLY REDUCED. HE HAS HEARD OUR ARGUMENTS THAT WE CANNOT CONTROL OIL COMPANIES IN A FREE ENTERPRISE SYSTEM, BUT INSISTS THAT COMPANIES ARE INCREASING OR MAINTAINING THEIR LIFTINGS FROM SAUDI ARABIA. TELLING RECENT VISITOR THAT VIENNA OPEC MEETING WOULD HAVE MADE NINE PER CENT REDUCTION IN PERSIAN GULF OIL PRICE, HE ARGUES THAT IN ANY EVENT SMALL PRICE DIFFERENTIAL IS MERELY OIL COMPANIES' EXCUSE NOT TO TAKE MORE IRANIAN CRUDE. HE MAINTAINS THAT USG SHOULD PROTECT IRAN'S

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INTERESTS BY USING OFFICIAL INFLUENCE WITH THE COMPANIES. HE

FEELS THAT IRAN DESERVES THIS ATTENTION FOR ITS HELPFUL PERFORMANCE DURING PAST OIL EMBARGO. CONFIDENT THAT U.S. WILL AGAIN TURN TO IRAN IF THERE IS ANOTHER CESSATION OF ARAB OIL SALES, HE DOES NOT LIKE IT TAKEN FOR GRANTED THAT IRAN WILL AUTOMATICALLY SUPPLY THE U.S. AND EUROPE WITH OIL THEY REQUIRE. FINALLY, SHAH IS IMPATIENT WITH PACE OF NEGOTIATIONS FOR DIRECT GOVERNMENT-TO-GOVERNMENT DEAL WITH USG. HE RECENTLY TOLD ME THAT FOR OVER A YEAR THIS HAS BOUNCED BACK AND FORTH LIKE A FOOTBALL TO NO CONCLUSION.

3. BECAUSE OF REDUCTION IN OIL INCOME, SHAH SEES IRAN'S DEVELOPING ROLE AS A MAJOR REGIONAL POWER SEVERELY RESTRICTED. HE OBVIOUSLY FEELS THAT A STRONG IRAN SERVES IMPORTANT STRATEGIC INTERESTS FOR THE U.S. AND THE WEST. IF GOI CANNOT AFFORD SPRUANCE SHIPS, AWACS, AMST AND OTHER OUTWARD LOOKING PROGRAMS, IRAN WILL NOT BE ABLE TO ASSERT ITS STRENGTH IN INTEREST OF THE WESTERN ALLIANCE IN THIS REGION. SHAH SEEMS DISINCLINED TO SETTLE FOR HALF MEASURES. IF CUTS ARE TO BE MADE, HE APPARENTLY PLANS TO RETURN TO ARMED FORCES WITH A PURELY DEFENSIVE ROLE LIMITED TO IRAN'S TERRITORY. IMPORTANT COMMUNICATIONS AND AIR DEFENSE PROGRAMS WILL BE CUT BACK.

4. AS IRAN REDUCES ITS OWN ROLE AS A REGIONAL POWER, THERE WILL BE DIMINISHED OPPORTUNITIES FOR STRATEGIC COOPERATION WITH U.S. FORCES IN THIS AREA. FOR EXAMPLE, IF SPRUANCE SHIPS ARE CANCELLED, PLANS TO DEVELOP CHAH BAHAR NAVAL BASE ARE LIKELY ALSO TO BE DROPPED.

5. ANOTHER THEME IS SHAH'S DOUBTS ABOUT AMERICAN STAYING POWER DURING A PERIOD OF RISING SOVIET NAVAL STRENGTH AND POLITICAL INFLUENCE IN THIS REGION. HE IS CLEARLY DISTURBED BY SOVIET GAINS IN ANGOLA WHILE THE U.S. APPEARS UNABLE TO OFFER AN EFFECTIVE RESPONSE. HE SEES GROWTH OF SOVIET NAVY IN INDIAN OCEAN AND SOUTH ATLANTIC AS AN IMPERIALISTIC DEVELOPMENT. WITH DJIBOUTI MOVING TOWARDS INDEPENDENCE, HE LOOKS FOR SOMALI DOMINANCE THERE AND PREPONDERANT SOVIET INFLUENCE ON HORN OF AFRICA.

6. THERE IS CLEAR IMPLICATION IN THESE POSSIBLE CHANGES IN IRAN'S ORIENTATION TOWARDS ITS SECURITY ROLE IN THIS REGION
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THAT U.S. WILL NOT BE ABLE TO COUNT ON IDENTITY OF POLICY WITH A RELIABLE FRIEND IN ARAB/ISRAEL CONTEXT AND IN OTHER DIFFICULTIES RELATING TO REGIONAL STATES.

7. REDUCTIONS IN IRAN'S DEFENSE EXPENDITURES WILL SURELY EXTEND TO CIVILIAN SECTOR WITH SUBSTANTIAL LOSSES BOTH FROM CONTRACT CANCELLATIONS AND END TO PLANNING FOR NEW PROJECTS WHICH MIGHT HAVE BENEFITED AMERICAN BUSINESS.

8. SHAH VIEWS WITH BITTER SCORN CORRUPT PRACTICES OF AGENTS FOR U.S. COMPANIES AND INEFFECTIVE USG EFFORTS TO DEAL WITH PROBLEM. WHEN COMMANDER, DEPUTY COMMANDER AND OTHERS IN IIN WERE IMPLICATED IN FINANCIAL SCANDAL WITH ITALIAN MISSILE PRODUCER, THEY WERE ARRESTED AND WILL BE TRIED. SHAH ASKS WHETHER USG EVER DID THIS TO SENIOR GENERALS OR ADMIRALS WHO REGULARLY MOVE FROM KEY ACTIVE DUTY POSTS TO HIGH POSITIONS IN DEFENSE COMPANIES. CONTRARY TO DOD REGULATIONS, GRUMMAN OBLIGATED MORE THAN \$24 MILLION IN AGENTS FEES AND USG HAS TAKEN NO ACTION AGAINST FIRM. SHAH ALSO SUSPECTS CORRUPT PRACTICES INVOLVED IN \$2 BILLION PROJECT AT CHAH BAHAR PLANNED FOR BRITISH AND AMERICAN (BROWN & ROOT) COMPANIES. ONE ASPECT OF IRANIAN CONCERN OVER PAYMENTS TO AGENTS IS BELIEF THAT MONEY RETURNS TO POCKETS OF U.S. CORPORATE EXECUTIVES. PLAINLY, PERSISTENCE OF THIS PROBLEM IS CAUSING SEVERE IRRITATION IN USG-GOI RELATIONS AND DAMAGING OPPORTUNITIES FOR AMERICAN BUSINESS IN IRAN. WE SHALL PREPARE SEPARATE CABLE ON THIS SUBJECT.

9. FINALLY, SHAH IS DISTURBED WITH THE WAY HIS BUSINESS ON WEAPONS PROCUREMENT HAS BEEN HANDLED BY DOD. BECAUSE OF PRICE INCREASES AND PROBLEM OF PAYMENTS TO AGENTS, HE HAS EXPERIENCED SERIOUS LOSS OF TRUST IN FMS SYSTEM. PERHAPS IN THE PAST GOI PLACED UNREALISTIC EXPECTATIONS ON PROTECTION OF ITS INTERESTS WHEN MAKING PURCHASES THROUGH DOD. IN ANY EVENT, THERE HAS BEEN ABRUPT EROSION OF SHAH'S CONFIDENCE IN OUR ABILITY TO OFFER HIM EFFECTIVE COLLABORATION IN DEFENSE PROCUREMENT.

10. WISH TO EMPHASIZE THAT IN HIS RECENT CONVERSATIONS SHAH HAS NOT GIVEN APPEARANCE OF A MAN WHO IS BLUFFING OF MAKING THREATS IN ORDER TO ACHIEVE SOME LIMITED PURPOSES. HE IS AS AWARE AS
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WE ARE OF COMPLEXITY OF THESE PROBLEMS AND DIFFICULTIES IN REACHING SATISFACTORY SOLUTIONS. IN OUTLINING POSSIBLE CHANGES IN FOREIGN POLICY, SHAH IS SIMPLY DELINEATING CONSEQUENCES OF REDUCED OIL INCOME AND RISING COSTS OF DEFENSE SYSTEMS. IN OTHER WORDS, HE IS STATING FACTS AS HE PERCEIVES THEM, RATHER THAN ATTEMPTING TO BARGAIN WITH US. AM SURE THAT YOU APPRECIATE THIS. SHOULD POINT OUT THAT IF VISIT OF GENERAL TOUFANIAN TO DOD NEXT WEEK DOES NOT PROVE HELPFUL, SHAH MAY BEGIN TO TAKE SOME OF THE DECISIONS ON CANCELLATION OF EQUIPMENT ORDERS HE HAS UNDER REVIEW.

11. HAVE RESTRICTED DISTRIBUTION OF THIS TELEGRAM FOR SECURITY REASONS. PLEASE SHARE IT WITH THE SECRETARY OF DEFENSE PERSONALLY IF YOU THINK IT ADVISABLE.
HELMS

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Message Attributes

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